Senate Budget and Fiscal Review—Wesley Chesbro, Chair

SUBCOMMITTEE NO. 2 Agenda

Byron Sher, Chair
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Upon Adjournment of Session
Room 112

Resources--Environmental Protection—Public Safety—Energy

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0690 Office of Emergency Services

Finance Letters Proposed For Consent

1. Finance Letter – Nuclear Planning Assessment Special Account.

Finance Letter Request. This Finance Letter requests that Item 0690-001-0029 be increased by $20,000 and that Item 0690-001-0001 be amended to reflect this change, and Item 0690-101-0029 be increased by $49,000 to reflect the 2003 calendar year consumer price index increase for the Nuclear Planning Assessment Special Account pursuant to Government Code Section 8610.5.

2. Finance Letter – 2003 Federal Urban Area Security Initiative Grant.

Finance Letter Request. This Finance Letter requests that that Item 0690-101-0890 be increased by $49,452,000 to provide the 2003 federal Urban Area Security Initiative (UASI) grant to Los Angeles, San Francisco, San Diego, Sacramento, and Long Beach. The State is prohibited from using any of the UASI funds included in this grant, therefore all of the funds from this grant will be given to the five cities to fund various activities, including: development of the urban area homeland security strategies, acquisition of eligible equipment, and training exercises related to emergency responders who would prevent and respond to a terrorist attack.

3. Finance Letter -- Addition of Budget Bill Item 0690-490, Capital Outlay

Finance Letter Request. This Finance Letter requests that that Item 0690-490 be added to reappropriate Item 0690-301-0001 Budget Act of 2003.

1. 80.10.008-Sacramento: OES Headquarters Perimeter Fence-Working drawings.

This reappropriation of working drawings is necessary due to delays in negotiating the Architect and Engineering firm contract.

Staff Recommendation. No issues have been raised regarding these Finance Letters. Staff recommends approval of the Finance Letters..
Action.

Issue to be Heard

4. Domestic Violence Grants

Background. In FY 2001/02, OCJP released a competitive Request for Proposal (RFP), which resulted in ten shelters previously funded under DVAP not being reselected for funding. Shortly thereafter, AB 664 was passed to appropriate $2 million per year for three years to fund the ten shelters previously funded by OCJP. The OES notes that the former Interim Executive Director of OCJP indicated in a Senate Oversight Hearing on Domestic Violence, that the ten shelters would be merged into the DVAP after AB 664 expired.

The OES indicates that the funding level for the AB 664 shelters was based on the shelter's funding level in FY 2000/01. This resulted in some of the ten shelters receiving a different funding amount than they would have received if selected for funding through DVAP. In addition, these projects have not received any cuts over the last three years.

Three-year emergency funding for the 10 AB 664 shelters ends September 30, 2004. OCJP notified the AB 664 shelters in August that this was the final year of funding. It is the OES's Criminal Justice Programs Division's (CJPD) goal to give at least six months notice to any grant funded project whose funding may be affected by the DVAP funding, in order to give them adequate time to prepare for reductions/loss of funds.

OCJP/OES Funding for Domestic Violence Shelters for the Last Three Years
(Dollars in Thousands)

Source of Funds	2001-02	2002-03	2003-04
Federal Family Violence Prevention	$4,882	$4,763	$4,959
Federal Victims of Crime	7,428	8,954	8,143
Federal Violence Against Women	925	277	0
State General Funds/ AB 664	2,025	2,025	2,025
State General Funds	1,460	727	730
Total	**$16,719**	**$16,744**	**$15,857**

Staff Comments. The OES has indicated that if the 10 AB 664 shelters had been reduced in the last three years at the same proportion as the 75 shelters, the $2 million would be reduced by $156,000. The OES indicates that have not found any money to backfill the loss of funding through AB 664. The OES indicates that should the 10 AB 664 shelters be folded in with the 75 that all the shelters would take a 13 percent decrease in funding.

Staff Recommendation. Staff recommends holding this issue open pending May Revise and the potential for identifying additional funds for this program.

Action.

8140 State Public Defender

Previous Action. At the hearing on March 11, the Subcommittee held open the budget for the OSPD.

Staff Recommendation. No issues have been raised. Staff recommends approval as budgeted.
Action.

0820 Department of Justice

Finance Letters Proposed for Consent.

1. Finance Letter – Criminal Offender Record Information Workload for the Department of Consumer Affairs and the Department of Real Estate.

An increase of $1,839,000 Fingerprint Fee Authority and 26.0 positions (9.0 positions on a two-year limited term basis) to process new criminal offender record information requests for Department of Consumer Affairs and Department of Real Estate licensees.

2. Finance Letter -- Division of Law Enforcement Reimbursement Funding

A reduction of $3.0 million in reimbursement authority to reflect the expiration of various interagency agreements and grants to the Division.

Staff Recommendation. No issues have been raised. Staff recommends approval of the Finance Letters.

Action.

5430 Board of Corrections

1. Conversion of General Fund Programs to Fee Based

Budget Request. The budget proposes to convert the funding source for the Executive Office, Local Adult and Juvenile Facilities Standards and Inspections, and Juvenile Hall Suitability Inspection Process from General Fund to a city/county reimbursed fee structure. The proposal would authorize an Administration Fund and would implement a county-reimbursed fee structure whereby counties and cities would reimburse the state for the operation of the Executive Office of the BOC and a portion of the costs associated with the establishment, promulgation, and maintenance of minimum standards for adult and juvenile detention facilities, as well as the biennial inspection of all adult and juvenile detention facilities. Trailer bill language to enact these changes

Costs For These Programs. The total costs for these functions is $1.8 million. Under the proposal, the BOC would charge locals a fee per type of facility. Assuming all the counties elected to continue the services provided by the BOC, the charge per adult facility would be from $1,500 up to $3,150 annually, depending upon the type and size of facility, and the charge per facility would be from $3,000 up to $45,000 annually, depending upon the type and size of facility.

Trailer Bill Language. The proposed trailer bill language authorizes rather than requires the BOC to perform inspections of facilities, eliminates the biennial frequency of the inspections, and authorizes the BOC to charge fees to reimburse the BOC for services. The proposal would allow counties to opt out of standards and inspections by not paying the BOC for the service.

Background on Previous Elimination of Juvenile Inspections. Budget constraints in 1992 resulted in the elimination of juvenile hall and camp inspections by the California Youth Authority (CYA), which had been authorized in 1955 to establish standards for the operation and maintenance of local juvenile facilities. In lieu of these inspections, the Legislature instituted a process of self-certification.

In response to growing concern about deteriorating conditions in some juvenile facilities, the Legislature reinstated an independent inspection process in the 1995 Budget Act, which transferred responsibility for all local juvenile facilities from the CYA to the BOC and set in statute the requirement that the Board inspect and report on the management, operation, and physical plant condition of all of California's county juvenile halls camps, and ranches (Welfare and Institutions Code Sections 209, 210, 885, and 886.5). Additionally, juvenile detention facilities are inspected for compliance with standards set forth in Title 15 and 24, California Code of Regulations to ensure they operate at constitutionally adequate levels.

According to the BOC, in 1996/97 after the first inspection cycle, the BOC found that a majority of facilities inspected (46 of 58 facilities) were operating in non-compliance with minimum standards. The initial review also revealed numerous other deficiencies related to such issues as crowding, use of force, discipline, staffing, services, and other operational areas.

Elimination of Juvenile Facility Data Collection. The language also eliminates the requirement that BOC collect and publish biennial data on the number, place, and duration of confinements of minors in jails and lockups. The "Juvenile Detention Survey" data is the only statewide source of data on the number, characteristics, and conditions of juveniles incarcerated in local juvenile justice facilities.

Issues to Consider.
- Given the fiscal constraints being felt by counties, will counties decide to pay fees for the services?
- Given the experience with self-certification between 1992 and 1996 with juvenile facilities does it make sense to continue mandatory oversight by the BOC?
- What level of accountability and oversight is responsible?

Staff Comments. The BOC indicates that it has been working with the federal government to see if some of its administrative costs regarding facility reviews and inspections can be funded through federal funds. It may be possible that federal funds could be used to offset about $600,000 of the General Fund portion of BOC's budget. Any proposal to use federal funds for these functions would be made at the time of the May Revise.

Staff Recommendation. Staff recommends rejecting the proposal to convert the funding source for the Executive Office, Local Adult and Juvenile Facilities Standards and Inspections, and Juvenile Hall Suitability Inspection Process from General Fund to a city/county reimbursed fee structure. This action would entail (1) rejecting the proposed trailer bill language, (2) restoring $1.7 million in General Fund, and (3) providing $176,000 for the program responsible for the inspection of county juvenile facilities.

Action.

5460 Department of the Youth Authority

Issues

1. Staff Resources at CYA

At the request of the Subcommittee, the LAO examined the Youth Authority's staffing at selected institutions in 1995-96 and 2002-03, focusing mainly on the areas of custody and treatment. For this analysis, the LAO used data on actual filled positions from the *Salaries and Wages.* The 1995-96 year was chosen because at that time the Youth Authority's population was at its highest level with slightly over 10,000 wards. Since then, the population has been steadily declining and reached 5,091 in 2002-03 (the latest year for which actual data on filled positions are available).

Summary of Staff Changes at Selected Youth Authority Institutions (1995 and 2002)

	1995-96	2002-03	Change Actual	Percent
Population	6,176	3,004	-3,172	-51.4%
Total Staff	2,525	2,095	-430	-17.0%
Executive	35	37	2	5.7%
Treatment/Group Living	1,142	823	-319	-27.9%
Support Services	956	965	9	0.9%
Education	392	270	-122	-31.1%

*Selected Institutions: Chad, Stark, Robles, Preston, Nelson and Southern YRCC

Summary of Findings

- ***Staffing at the Selected Institutions Declined More Slowly Than Population.*** From 1995-96 through 2002-03, total staffing at the selected institutions decreased by about 17 percent, while the population at these institutions decreased over 50 percent.
- ***Treatment and Education Positions Decreased While Others Increased.*** The *Salaries and Wages* displays youth authority positions in four program categories—executive, treatment and group living, support services, and education. Our analysis shows that overall (for the selected institutions) the treatment and group living staff was reduced by 28 percent, and the education staff by 31 percent. In contrast, there were slight increases in total positions for the support services (which includes custody staff), and executive functions.
- ***Youth Authority Lost More Treatment Than Custody Staff.*** As you requested, we compared the change in the number of Youth Correctional Counselor (YCC) positions to the change in the number of Youth Correctional Officer (YCO) positions. It should be noted that YCCs are part of the treatment and group living category discussed above, and YCOs are part of support services. From 1995-96 through 2002-03, for the selected institutions, the number of YCC positions decreased by 154, or 26 percent. The number of YCO positions decreased by 23, or 6 percent.
- ***Treatment Reductions Are Greater at Selected Institutions.*** All of the institutions we looked at lost YCC positions. Over half—four of the six institutions we examined, also lost YCO positions. (The exceptions were Dewitt and Chaderjian.) The YCC position reductions tended to be larger than the YCO position reductions.

The Subcommittee may wish to have CYA respond to the analysis by the LAO.

2. Closure of Nelles Youth Correctional Facility

Background.

Fiscal Impact of Closing Youth Authority Facilities
(In Thousands)

		2003-04			2004-05		
Institution	Date	Savings	Offset for CS 4.10	Net Savings	Savings	Offset for CS 4.10	Net Savings
Karl Holton YCF	10/1/03	-$7,360	$3,542	-$3,818	-$9,858	$3,542	-$6,316
Ventura - Male	3/1/04	-1,169	548	-621	-3,068	548	-2,520
Northern Ca. Reception Center	3/1/04	-4,168	4,168	0	-15,404	4,168	-11,236
Accelerated Closure of 8 Living Units		-2,832	2,832	0			
Nelles YCF	7/1/04				25,939		-25,939
Mt. Bullion Camp	7/1/04				2,380		-2,380
Totals		**-$15,529**	**$11,090**	**-$4,439**	**-$56,649**	**$8,258**	**-$48,391**

Last year, the CYA indicated that it was closing down the Holton facility and the male portion of the Ventura facility. Due to the population declines at CYA, the Legislature approved statutory changes that required CYA to close a facility with a capacity of at least 640 by March 1, 2005.

Budget Proposal. The budget proposes savings of $25.9 million in the 2004-05 from the closure of the Nelles facility in Whittier. The CYA indicates that the other four institutions considered for closure other than Nelles were Preston, Paso de Robles, Heman G. Stark, and Ventura. CYA indicated that the factors for choosing Nelles include

- Infrastructure repairs at Nelles are estimated at $70 million, which CYA indicated was more than double the cost of any other facility.
- The fact that Nelles had only one specialized program to be moved.
- The population at Nelles had fallen to 340 (from a capacity of 640).

Status of the Plan Specifying Priorities for Enhanced Services. Legislation requiring the closure of a facility by March 5, 2005 also provided that up to 50 percent of the initial year of savings shall be available to the department in 2005-06 to implement a plan specifying priorities for enhanced services. That plan is due to the Legislature at the time of the May Revise this year.

- Will the plan be released at the time of the May Revise?

Staff Comments. Concerns have been raised about the closure of Nelles because it is the only institution in Southern California for wards under 18. The CYA has submitted a capital outlay Finance Letter requesting funds for Southern Youth Correctional Reception Center and Clinic (SYCRCC) and Heman G. Stark Youth Correctional Facility (HGSYCF) to accommodate wards that will be transferred because of the closure of Fred C. Nelles. Housing modifications to accommodate wards in the Sex Offender Program Unit at SYCRCC and modifications to increase the educational facilities at both SYCRCC and HGSYCF are needed.

Staff Recommendation. Staff recommends approval of the proposed closure.
Action.

3. Closure of Mount Bullion Camp.

Budget Request. The budget proposes savings of $2.4 million in 2004-05 from the closure of the Mount Bullion Camp in Mariposa County. This camp is located on CDF property and assists CDF fire crews during fire season. This is one of four camp programs operated by the CYA. According to departmental regulations CYA staff is responsible for the custody and supervision and treatment of assigned offenders while the CDF staff plans and supervises the work projects performed by the wards.

Department Rationale. The CYA indicates that it is proposing the closure of this camp because there are not enough qualified wards to fill the camp facilities. CDF has minimum criteria for accepting wards into the program. Current criteria includes: physical fitness, no history of arson, no escapes, no sex offenses, only low level offenders, no suicidal behavior for two years, free from psychotropic medication for at least 4 months, and the ward must be discipline free for six months. CYA indicates that Mt. Bullion was proposed for closure because it had the lowest population of the camps at the time – 38 wards. The design capacity is 80 wards.

The closure of the camp is expected to save $2.4 million or approximately $30,000 per-year-per-ward at capacity. The average cost if filled to the 100 level would approach $24,000 per-year-per-ward. This is significantly lower than the average cost for the department of nearly $74,000 per-year-per-ward.

The Subcommittee may wish to ask CYA the following:

- Why should the Subcommittee endorse the closure of any CYA-operated camp or forestry camp, when these smaller scale facilities appear to be a much closer fit with accepted youth corrections standards and models?
- Can the criteria for placement in the camp program be changed?
- Can CYA offer alternative programs camps to expand the placement of wards in camp locations?
- Will the population eligible for camp placement increase if counties reduce local camp and ranch programs as a result of the proposed TANF reduction to county probation?

Staff Recommendation. Staff recommends holding this item open at this time.
Action.

4. Structural Reform Issues – Informational Issue

At the hearing on March 25, the Subcommittee requested that CYA provide additional information to the Subcommittee on structural reform. Based on the responses provided by the department in its April 26th letter, the Subcommittee may wish to ask CYA the following:

1) The CYA response indicates that action plans in response to the findings of the reports are complete but are awaiting final approval. What date do you expect final approval?

2) With regard to the closure plan discussion, the response indicates that the CYA is in the process of opening an additional 132 beds at SYRCC for wards under 18. Are these new beds in new living units? What are the size of the living units? How do these new beds fit into the policy goal of reducing the size of living units?

3) Similarly, the response describes "a major living unit renovation project at SYCRCC." What is this project, what will be the size of living unit(s), and how does this major new project fit into the policy goal of reducing the size of living units?

4) On the vision to reduce the total population at CYA, the response did not fully answer the question. Is it the department's policy to reduce its population significantly over the next five years and, if so, how will they accomplish that goal?

5) The response did not fully answer the question concerning their plans to convert large scale institutions to smaller-scale facilities, although the response does indicate that it is CYA's "vision" to do so. Does the department intend to develop plans to convert to smaller living unit facilities, in accordance with its vision?

6) With respect to gang management, what outside contractor is developing the department's training modules? What "best practices" models are the department's gang management policies based on? Aside from gang validation, tracking and intelligence networking, what pro-active efforts are made by the department to discourage gang membership and affiliation among wards? Are families involved in anti-gang programming efforts? Does the department consult with community-based gang prevention organizations in coordinating its gang prevention efforts and, if so, which organizations?

CYA Capital Outlay

5. Finance Letter – Housing Modifications Related to Nelles Closure.

The Finance Letter proposes to add Item 5460-301-0747 for a total of $1.5 million and Item 5460-301-0751 for a total of $500,000 to make modifications to Southern Youth Correctional Reception Center and Clinic (SYCRCC) and Heman G. Stark Youth Correctional Facility (HGSYCF) to accommodate wards that will be transferred because of the closure of Fred C. Nelles. Housing modifications to accommodate wards in the Sex Offender Program Unit at SYCRCC and modifications to increase the educational facilities at both SYCRCC and HGSYCF are needed. These projects in the Southern facilities are proposed for funding in an effort to keep the wards who would be housed in Nelles closer to their families to avoid moving them to the Paso Robles facility in Central California.

Staff Recommendation. Staff recommends approval of the Finance Letter.
Action.

5180-101-0001 Reduction in TANF Funding for Probation Services – Informational Issue

Background. In California, counties are the primary provider of services to youthful offenders and juveniles at risk of becoming involved in the criminal justice system, handling more than 95 percent of juveniles involved in the criminal justice system. County probation departments provide a range of services designed to meet the diverse needs of juvenile offenders, at-risk youth, and to a lesser degree their families. These services range from after-school programs designed for relatively low-level at-risk youth, to formal counseling, alcohol and drug treatment services. Services are provided both in the community and in residential facilities, such as juvenile halls, camps, and ranches. Generally, the purpose of these programs is public safety and rehabilitation. The effectiveness of the counties in responding to juvenile crime has an impact on public safety, as well as the population of the state's youth correctional facilities and prisons.

How Are Juvenile Probation Programs Funded? Juvenile probation programs are funded by a combination of sources, including local general fund, state subvention grants, and federal funds. The most significant state funding source is the Juvenile Justice Crime Prevention Act (JJCPA) grant program administered by the Board of Corrections. In 2003-04, this program provided $100 million for crime prevention programs. The most significant source of federal funds is the federal Temporary Assistance for Needy Families (TANF) block grant, which has historically provided approximately $200 million for probation services. Data on county general fund spending for probation services statewide are not available. Staff notes that in its report on the Comprehensive Youth Services Act (CYSA) and TANF, the Rand Corporation estimated that TANF funding for CYSA (which funds the camps and ranches programs) made up about 10 percent of total funds (including county funds) for County Probation departments. Attachment 1 to the agenda provides an overview of TANF and the CALWORKS program.

Before the establishment of the TANF block grant, county juvenile probation services were partially supported by federal Title IV-A funds (named after the section of the Social Security Act authorizing the funding program). However, this program was eliminated in 1995. In order to restore juvenile probation services, the Legislature enacted the Comprehensive Youth Services Act as part of welfare reform, which authorized TANF funding for the counties based upon their Title IV-A probation services expenditures. (Welfare reform also established the California Work Opportunity and Responsibility to Kids [CalWORKs] program which provides cash grants and employment services to low-income families.) It should be noted that county probation department claims filed for reimbursement under the old Title IV-A program were taken into consideration by the federal government in determining California's share of TANF funds, and thus increased the state's TANF block grant by approximately $140 million. Under current law, the TANF block grant for juvenile probation programs sunsets in October 2004.

What Services Are Funded by the TANF Block Grant? While comprehensive data are not available on precisely how the TANF block grant funds are used by county probation departments, a 2003 report on TANF-funded probation services conducted by the RAND Corporation suggests that these funds support a variety of juvenile probation services, including anger management, family mentoring, and mental health assessment and counseling to name a few. However, the report indicates that most of the funding is probably used for services provided to youth detained in juvenile halls, camps, and ranches.

*Governor's Budget Proposal**.*** The administration has proposed to allow the block grant funding to sunset in October 2004, resulting in a reduction of $134 million in 2004-05 for juvenile probation programs. The budget includes $67 million for these services from July through October 2004.

Impact of Proposal on Probation Services for At Risk Juveniles. While data are not readily available on total spending for juvenile probation programs statewide, a report by RAND estimates that the TANF block grant represents between 10 percent and 15 percent of county spending for juvenile probation services. The loss of these funds will affect counties differently depending on how the funds are used, and whether and to what extent counties backfill for the loss of these funds. The LAO's Analysis indicates that their discussions with county probation department representatives and other criminal justice experts suggest that the proposed reduction could have a significant impact on the ability of counties to operate their juvenile camps.

The grants funded from this source range from $5,000 (Sierra County) to $68 million (Los Angeles County). In some counties, the TANF funds are used largely to contract with community-based organizations, while in other counties the funds are used to support county probation department staff. In 1995, when the Title IV-A funding was eliminated, some county boards of supervisors increased funds from other sources to backfill for the loss of those funds, while others did not.

Impact on Public Safety and State Costs. The LAO notes that the local system of juvenile probation is the first line of defense against future criminality for these youthful offenders and that research has shown that early intervention programs can be effective in preventing future crime by youthful offenders. To the extent that these programs are no longer available, it could result in a reduced level of public safety. For example, because of the potential reduced number of residential treatment beds, lower level juvenile offenders—who currently benefit from intervention services provided in the camps and ranches—may be retained in the community with no intervention services, thereby posing a greater risk to public safety.

The proposed reduction could also result in more juveniles being sent to the state Youth Authority, thereby increasing General Fund costs. Because of the reduced number of residential treatment beds at the local level, juvenile court judges and probation officers may have few alternatives to sending certain juveniles to the Youth Authority. This effect would be somewhat mitigated by the sliding fee schedule that requires counties to pay a share of the cost for Youth Authority commitments that fall into lower-level offense categories. According to the LAO, it is unknown whether these potential costs resulting from a greater number of Youth Authority commitments would fully offset the General Fund savings resulting from the Governor's proposal to eliminate the TANF block grant. This would depend on the number of juveniles placed in the Youth Authority rather than in local facilities due to this proposal.

Information Provided By Los Angeles. Los Angeles County has provided the Subcommittee with data that suggests that if the State funding for Juvenile Probation is eliminated that the State will have to spend more for juvenile incarceration and group home costs than the current State funding for juvenile probation camps. The county believes that the over 4,000 youth served by camps each year will instead receive care in the California Youth Authority and in Group Home placements.

The chart below illustrates the potential fiscal effect that closing the Juvenile Probation Camps would have in Los Angeles County in the budget year:

Estimates Provided by Los Angeles County on Fiscal Impact to Los Angeles County and the State From Elimination of TANF Funds

	If TANF Funds Restored (2004-04)			Funds Eliminated (2004-05)			Funds Eliminated (2005-06)		
Program	Pop	County Costs	State Costs	Pop	County Costs	State Costs	Pop	County Costs	State Costs
CYA	1,179	14,216,000	70,740,000	2,213	15,397,000	104,280,000	3,247	17,581,000	166,320,000
Camps	4,136		83,001,000	1,379		27,663,000	0	0	0
Home on Probation	18,000	39,116,000	0	20,102	40,083,000	0	20,102	40,083,000	0
Group Home	2,242	73,973,000	45,165,000	3,242	93,209,000	56,077,000	3,242	107,058,000	65,310,000
Total	**25,557**	**127,305,000**	**198,906,000**	**26,936**	**148,689,000**	**188,020,000**	**26,591**	**164,722,000**	**231,630,000**

Although the county has a wide range of services, the county has commented that the TANF funding it receives are devoted to discretionary programs like the Juvenile Camps. The County believes that it will have to eliminate its discretionary programs to concentrate on the core programs that are required by State law.

The Governor's Budget assumes no increase in the CYA or Group Home caseloads resulting from the loss of the juvenile probation funding. The Department of Social Services notes that the same State funding was eliminated for an 18-month period in the mid-1990's and the counties continued to operate these programs. Thus, it is assumed that counties would continue to operate their camps and other programs if this funding was eliminated.

LAO Options. In its *Analysis*, the LAO indicated that the proposed TANF block grant reduction could result in the loss of core probation services for juvenile offenders, which could result in a lower level of public safety, and increased General Fund costs resulting from a greater number of Youth Authority commitments. The LAO identified other programs that could be eliminated or suspended as an alternative to the TANF block grant. Based on the LAO's analysis and discussions with probation officials and other criminal justice experts, the LAO concluded that the elimination or suspension of COPS and/or JJCPA grants would achieve the same (or a greater) level of budget savings, and potentially have less of an impact on public safety, without increasing General Fund costs.

Currently, the State uses federal TANF funds as its funding source for money it provides to counties. Although there are historical arguments for why these funds have been allocated for Juvenile Probation costs; the current fiscal constraints within the TANF block grant would require the Subcommittee to identify an offsetting reduction within the block grant to restore funding for this program.

There is a policy bill on this issue. AB 2947 (Pacheco) would repeal the October 31, 2004, sunset on the Comprehensive Youth Services Act, providing services to juveniles detained in juvenile halls, camps and ranches, funded by the state's Temporary Assistance for Needy Families (TANF) block grant.

Informational Issue – No Action Necessary

5240 Department of Corrections

1. Separate Education Schedule.

Background. Currently the budget bill schedules CDC expenditures among four major program areas – (1) Institutions Program, (2) Health Care Services Program, (3) Community Correctional Program, and (4) Administration. The budget bill also contains a provision that allows CDC to transfer up to 5 percent of the amounts appropriated in the schedules for Institutions Program, Health Care Services, and Community Corrections between these schedules. Any transfer greater than that amount requires approval by DOF and 30 day notice to the Legislature pursuant to Control Section 26.

Education Programs a Part of the Institution Budget Line Item. Currently the Inmate Employment/Training Program (which includes academic and vocational education programs) is scheduled within the Institution Program. For the proposed budget, the Inmate Employment/Training Program is $218.2 million out of the proposed Institution Program budget appropriation of $4.1 billion. Other programs within the Institution Schedule include Reception and Diagnosis, Security, Transportation, and Inmate Support.

CDC Can Transfer Funds Among Programs Within the Institution Budget Line Item. While the Education program is displayed separately in the Governor's Budget, having it scheduled within the Institutions Program allows CDC to transfer money from the education programs to other components of the Institutions Program. For example the Governor's budget displays show that in January 2002, anticipated expenditures for Inmate Employment/Training for the 2001-02 fiscal year was $250 million. Actual expenditures for 2001-02 reported in January 2003 were $209.1 million, a decrease of $40.9 million or 16.4 percent. While some of this reduction may have been due to population factors, for some portion of the amount CDC held education positions open and used the savings from those positions to fund other activities within the Institutions Program.

Staff Comments A separate schedule and appropriation in the budget bill for the education programs would make it more difficult to transfer money from education for other purposes, and would provide the Legislature with notification of such transfers through Control Section 26. At a time when the state is trying to do a better job of reducing recidivism it may make sense to appropriate funds specifically for education programs to ensure that funds are prioritized for that purpose.

Staff Recommendation. Staff recommends that the Subcommittee approve a separate program schedule within the budget bill for education programs at CDC.

Action.

2. RN Recruitment and Retention Funding – Informational Item

Background. As part of the May Revise for 2002-03 fiscal year, the Legislature approved a Finance Letter to continue implementation of the Inmate Medical Services Program (IMSP) as part of the basis of the Plata litigation surrounding inmate health care services.

In it's Budget Change Proposal (BCP), the CDC indicated that the implementation of the IMSP relies heavily on nurse staffing and that the shortage of nurses in California, and the availability of higher paying positions in the community has led to difficulty in recruiting and retaining qualified nurse staff. The original BCP notes "Finally, it is imperative to the success of the IMSP and compliance with the Plata settlement that the CDC's Recruitment and Retention incentives for nurses are successful in attracting and retaining registered nurses." As a result, part of the IMSP proposal included monthly Recruitment and Retention (R&R) bonus and an Enhanced Employee Compensation Funding (EEC) program for registered nurse classifications at CDC.

The BCP notes that the calculations for the EEC program and the R&R s would change based on actual filled positions and the number of new positions, and that CDC and DOF would recalculate the level of funding required during the planning estimate process and as part of the May Revise. The IMSP program was proposed to be implemented in all of CDC's institutions over a six year period, so no new BCPs are submitted but rather the additional costs for the entire IMSP are adjusted through the planning adjustment process. The original BCP notes that the Department of Personnel Administration (DPA) was negotiating a Memorandum of Understanding with nurses. The BCP also states, "To the extent that DPA approves additional salary incentives, the impact on the IMSP would have to be assessed and funded based on any future labor agreements."

Vacant Nursing Positions. The CDC has provided information to the Subcommittee indicating that as of March 31, 2004 there were 977.22 registered nurse positions allocated to the institutions. Of that amount 239.27 positions, or 24.5 percent were vacant. As was discussed at the hearing on April 21, the CDC has increased expenditures for registry contracts which are primarily used top backfill vacant positions. The Table below shows the recent increases in this area, which the recent BSA audit indicated was the fastest growing component of contract medical services.

Growth in Expenditures for Medical Registry Contracts			
Year	**Total Expenditures**	**Increase**	**Percent Change**
1998-99	$11,722,236	--	--
1999-00	$14,795,111	$3,072,875	26.2%
2000-01	$28,869,934	$14,074,823	95.1%
2001-02	$46,790,565	$17,920631	62.1%
2002-03	$63,821,909	$17,031,344	36.4%

Attachment 2 shows the monthly R&Rs and the EEC program prior to the IMSP program, the amount authorized and funded by the Legislature in the Budget Act of 2002-03, the amount approved by DPA and the difference between the amount authorized originally and the amount approved by DPA.

The Subcommittee may wish to ask the following questions.

- Have the R&Rs and the EEC program been effective in helping recruit additional nurse positions at CDC?
- How much was the budget reduced due to the lower amounts for the R&R and EEC that were approved by DPA? Does CDC have an estimate for the costs for registry contracts for RNs? Has CDC or DPA done an analysis to determine the cost effectiveness of the reduced R&Rs and the impact on the provision of healthcare services?
- Why did DPA approve funding levels below the amounts included by DOF in the Finance Letter and authorized by the Legislature.
- What efforts are being made to reduce the number of vacancies for RNs?

3. Technical Finance Letter Change.

Finance Letter Request. This Finance Letter proposes to amend the CDC capital outlay budget item 5240-301-0001 to change to title of the project. The 2004 Governor's Budget erroneously titled the project (61.10.049) at CMC, San Luis Obispo as the Potable Water Treatment Facility Upgrade. The project should be named the Potable Water Distribution System Upgrade. The scope and costs of the project do not change and accurately reflect the corrected title.

Staff Recommendation. No Issues have been raised. Staff recommends approval of the Finance Letter.

8180 Payments to Counties for the Costs of Homicide Trials

1. Finance Letter -- Transfer Expenditure Authority.

This Finance Letter requests a decrease of $254,000 to reflect a transfer to Item 0450-101-0001 (State Trial Court Funding). This is a conforming issue with Item 0450 101 0001 which would increase State Trial Court Funding by $254,000.

The Administrative Office of the Courts has indicated that courts in two counties (Mendocino and Shasta) were able to obtain funding from Payment to Counties for Costs of Homicide Trials because the county applied on its behalf. This request would transfer the actual level of reimbursements from 2002-03 that the courts were able to obtain ($254,000) from Payment to Counties for Costs of Homicide Trials to the State Trial Court Funding. Trailer bill language and provisional language will be proposed that would prohibit the counties from accessing funds for the extraordinary costs of homicide trials on behalf of the courts. Since this is a transfer of appropriation authority, there is no effect on the General Fund as a result of this transfer.

Staff Comments. As of May 5, the Finance Letter for the increase has not been received, nor has any proposed trailer bill language or provisional language related to this issue.

Staff Recommendations. Staff recommends holding the issue open pending receipt and review of the Finance Letter in the Trial Court Funding Item that will include the trailer bill language and the provisional language changes.

Action.

8700 California Victim Compensation and Government Claims Board

1. State Operations Expenditures

California Victim Compensation and Government Claims Board – Total Expenditures (Claim Payments and Administrative Expenses)								
	Expenditures *(dollars in thousands)*						***Estimated***	
Type of Expenditure	**1999-00**	**Percent**	**2000-01**	**Percent**	**2001-02**	**Percent**	**2002-03**	**Percent**
Administrative Expense	$35,012	29%	$41,339	32%	$45,879	27%	$53,078	25%
Claim Payment	85,687	71%	88,253	68%	123,952	73%	158,679	75%
Totals, Programs	**$120,699**	**100%**	**$129,592**	**100%**	**$169,831**	**100%**	**$211,757**	**100%**

Due to the projected fiscal problems in the Restitution Fund, last year the Subcommittee requested the LAO to review the budget proposal for the Victims of Crime (VOC) Program and to make any recommendations to reduce expenditures and enhance revenues for the VOC Program, as well as review the program's administrative expenditures.

LAO Findings. Regarding VOC administrative expenses, the LAO found that the program's administrative expenses are relatively high compared to other states. Given the relatively high administrative costs, the LAO recommended that the Legislature consider reducing the board's administrative expenses by eliminating the Criminal Restitution Compacts (CRCs) with the counties because the LAO's analysis indicated that the costs were not justified. This would have generated $2.3 million in savings in the current year.

The LAO's review showed that the administrative expenditures for the VOC Program was $41.5 million or 23 percent of the VOC Program's total budget. The Table below compares administrative costs with victim programs in other states. The LAO indicates that these states were selected because their programs offer similar benefits to those in California and, in the case of Florida and Texas, are among the largest states with victim compensation programs.

The board indicates that for some of these agencies from other states, the total does not include some overhead administrative costs such as human resources, legal, and budget staff.

Victim Compensation Program Administrative Expenses In a Selected Sample of States[1]	
State	Administrative Expenses[2]
Texas[3]	10%
Utah[3]	10%
Colorado[3]	14%
Washington	17%
Florida[3]	19%
California	**23%**
Oregon[3]	24%

[1] With the exception of California, administrative expenses are for 2001-02.
[2] Administrative expenses represent the percent of total program budget.
[3] Also administer victim assistance programs.

The following table shows administrative costs of several other California state programs as compared to the VOC program. The LAO compared VOC to these programs because they had similar administrative functions, including outreach and education, application processing, and claims payments.

Victim Compensation Program Administrative Expenses Compared with Selected California Programs[1]	
Program	Administrative Expenses[2]
Healthy Families	1%
Unemployment Insurance	7%
Medi-Cal	8%
State Workers' Compensation Program	13%
VOC Program	**23%**

[1] With the exception of Medi-Cal (2002-03) and the State Workers' Compensation Program (2001-02), expenses are for 2003-04.
[2] Administrative expenses represent the percent of total program budget.

The LAO notes that due to variation in the administration of state victim programs, and different economies of scale in other programs, these are not perfect comparisons. For example, for the Healthy Families program, much of the administration is performed by contractors. However, the LAO also notes that the comparisons do suggest that California could effectively administer the VOC program at a lower cost.

Criminal Restitution Compacts (CRCs). The board supports county staff through 25 CRCs with local law enforcement agencies. The main responsibility of these state-funded county positions is to encourage judges to impose restitution orders on offenders whose victims have filed claims with the board. As such, the LAO notes that these positions should help increase revenue to the Restitution Fund.

As can be seen in the following Table, the LAO finding show that the state spends more to fund the CRC positions than the amount of revenue collected related to these positions.

Criminal Restitution Compact Expenditures And Related Revenue

1997-98 Through 2001-02 (In Thousands)	**1997-98**	**1998-99**	**1999-00**	**2000-01**	**2001-02**
Expenditures	$1,018	$1,279	$1,579	$1,833	$2,208
Related Revenue	241	249	353	566	838
Totals, Programs	**-$777**	**-$1,030**	**-$1,226**	**-$1,267**	**-$1,370**

Each year there was a net cost to the state associated with the CRCs has ranged from $777,000 to $1.4 million. The CRC revenue ranged from about 20 percent of program costs in 1998-99 to about 38 percent in 2001-02. The LAO notes that despite the poor returns, the board has spent increasing amounts to support this component of the program.

The board indicates that in addition to revenues going to the Restitution Fund, that CRCs generate additional Restitution orders for victims.

LAO Recommendation. The LAO recommended that the Legislature consider eliminating the CRCs with the counties, which would provide about $2.3 million in the budget year that could be used to pay victim claims.

Staff Recommendation. At the hearing on March 11, the Subcommittee held this issue open pending receipt of additional information from the board related to how this program works and potential other benefits of the program. The board provided additional information to the LAO and the Subcommittee on May 4. Pending review of the information, staff recommends holding this issue open.

Action.

Overview of CalWORKs Funding Structure and Maintenance-of-Effort Requirement

Background: CalWORKs is funded through a federal TANF block grant, which combined with required state matching funds amounts to $6.4 billion. As a condition of receiving TANF funds, state funding must be at least 75 percent of the state's federal fiscal year (FFY) 1994 expenditures level ($2.7 billion). As a matter of policy, California has chosen to treat the federally required maintenance of effort (MOE) level as a ceiling for program spending.

Over time, California has broadened its definition of expenditures that can be considered to meet the state's maintenance of effort requirement. Additionally, the state has transferred a growing amount of TANF funds to non-CalWORKs programs. As a result, available direct funding for the CalWORKs program has substantially declined. Since 1998, total funding for the CalWORKs program has decreased by $757.5 million.

Slowing caseload declines, scheduled cost of living adjustments and a growing demand for welfare-to-work services are estimated to increase CalWORKs costs in the budget year. Absent statutory or funding changes, costs are estimated to rise $402.6 million above the maintenance of effort level. A recent court ruling in *Guillen v. Schwarzenegger,* a legal challenge which seeks to compel the state to provide a cost-of-living adjustment, may increase CalWORKs spending to $618.9 million above the TANF maintenance of effort level (an increase of $216.3 million above the aforementioned $402.6 million estimate).

Governor's Budget: The Governor's Budget maintains state spending at the federally required TANF maintenance of effort level and transfers additional TANF funds to offset General Fund costs in non-CalWORKs programs. The budget provides $4.7 billion to support CalWORKs in the budget year. This constitutes a $359.97 million, or a 7.1 percent decrease in CalWORKs expenditures from the current year appropriation.

Under the Governor's Budget, the total CalWORKs program funding reduction from the 1998-99 level will be $757.5 million, equal to a 14 percent reduction. TANF/MOE funding for non-CalWORKs programs has increased by 50 percent to $1.1 billion since 1998-99.

CalWORKs Program Funding

	FY 1998-99	FY 2003-04	FY 2004-05	98-99 to 04-05	
Total TANF Grant/Required MOE	**6,640,971,000**	**6,413,211,000**	**6,401,369,000**	**-239,602,000**	**-3.61%**
CalWORKs Program (*Actuals)*	**5,459,880,441**	**5,062,397,000**	**4,702,394,000**	**-757,486,441**	**-13.87%**
Grants	3,728,895,597	3,072,954,000	2,820,982,000	-907,913,597	-24.35%
Administration	518,317,463	615,931,553	582,485,155	64,167,692	12.38%
Services	418,503,052	776,479,603	734,315,104	315,812,052	75.46%
Child Care	360,733,329	597,031,844	564,611,741	203,878,412	56.52%
Estimated County Share of Admin/Services	60,400,000				
Performance Incentives(budgeted)	373,031,000	0	0	-373,031,000	-100.00%
Probation	**201,413,000**	**201,413,000**	**67,138,000**	**-134,275,000**	**-66.67%**
KinGAP	**0**	**85,310,000**	**92,319,000**	**92,319,000**	
Non-CalWORKs MOE in CDSS	**(11,269,000)**	**(12,363,000)**	**(10,322,000)**	**947,000**	**-8.40%**
Other MOE in CDSS	**305,663,000**	**329,544,000**	**340,155,000**	**34,492,000**	**11.28%**
MOE In Other Department Budgets	**402,839,000**	**460,336,000**	**444,759,000**	**41,920,000**	**10.41%**
State Support	**29,016,000**	**27,242,000**	**27,242,000**	**-1,774,000**	**-6.11%**
Total Expenditures	**6,387,542,441**	**6,153,879,000**	**5,663,685,000**	**-723,857,441**	**-11.33%**
Federal TANF	3,480,389,441	3,474,486,000	2,996,134,000	-484,255,441	-13.91%
General Fund	2,753,530,610	2,478,518,000	2,462,788,000	-290,742,610	-10.56%
Other State Funds *(ETF, Prop 10)*	0	56,400,000	56,400,000	56,400,000	
County Funds	153,622,390	144,475,000	148,363,000	-5,259,390	-3.42%
Total TANF transfers	**284,965,000**	**747,993,000**	**832,627,000**	**547,662,000**	**192.19%**
Non-CalWORKs Transfers	0	100,135,000	194,535,000	194,535,000	
Transfers to Stage 2, Tribal TANF and Reserve	284,965,000	647,858,000	479,657,000	194,692,000	68.32%
Total Available Funding	**7,257,991,000**	**6,996,815,000**	**6,496,312,000**	**-761,679,000**	**-10.49%**
Total TANF/MOE Expends	**6,672,507,441**	**6,901,872,000**	**6,496,312,000**	**-176,195,441**	**-2.64%**
NET TANF Carry-over Funds	585,483,559	94,943,000	0	-585,483,559	-100.00%
CalWORKs contribution to the General Fund	708,502,000	1,155,325,000	1,251,768,000	543,266,000	85.09%

COMPARISON OF R&R AND PLATA RECRUITMENT DIFFERENTIAL (EEC)
APPROVED IMSP FL VS. DPA APPROVED

CLASSIFICATION	PRE-IMSP R&R LEVEL	R&R LEVEL INCREASE PER IMSP FL	REVISED TOTAL R&R PER IMSP FL	R&R LEVEL INCREASE APPROVED BY DPA	NEW R&R LEVEL (PRE IMSP LEVEL + INCR LEVEL APPR BY DPA)	R&R INCREASE DIFFERENCE: APPROVED IMSP FL TO DPA APPROVED	IMSP FL APPROVED EEC LEVEL	DPA APPROVED IMSP EEC LEVEL	DIFFERENCE: APPROVED IMSP FL TO DPA APPROVED
All Classifications listed below who are New to State Service (Enhanced Employee Comp)							[A] $5000 (Sign On) $2400 (after Second Year $3000 (after Third Year) $5000 (after 5 Years) $15,400	[B] $1500 (after First Month) $1500 (after Sixth Month) $1000 (after Eighteenth Month) $4,000	**$11,400**
Registered Nurses (New to State Service on or before 1/1/2003.)	$200	$600	$800	$600	**$800**	$0	$5000 (Sign On) $2400 (after Second Year $3000 (after Third Year) $5000 (after 5 Years) $15,400	$1500 (after First Month) $1500 (after Sixth Month) $1000 (after Eighteenth Month) $4,000	**$11,400**
Registered Nurses (Employed on or before 10/31/2002 based on number of months of service.)	$200	$600	$800	$600	**$800**	$0	$2400 (First Year) $3000 (Second Year) $5000 (Fifth Year) $10,400	$1,500 $2000 (24-Month) $3,500	**$6,900**
Supervising Registered Nurse I	$200	$800	$1,000	$200	**$400**	$600	SAME AS LETTER A ABOVE	SAME AS LETTER B ABOVE	**$11,400**
Supervising Registered Nurse II	$200	$800	$1,000	$200	**$400**	$600	SAME AS LETTER A ABOVE	SAME AS LETTER B ABOVE	**$11,400**
Supervising Registered Nurse III	$200	$800	$1,000	$200	**$400**	$600	SAME AS LETTER A ABOVE	SAME AS LETTER B ABOVE	**$11,400**
Nurse Consultant I	$200	$800	$1,000	$100	**$300**	$700	SAME AS LETTER A ABOVE	SAME AS LETTER B ABOVE	**$11,400**
Nurse Consultant II	$200	$800	$1,000	$100	**$300**	$700	SAME AS LETTER A ABOVE	SAME AS LETTER B ABOVE	**$11,400**
Nurse Consultant III (Spec)	$0	$1,000	$1,000	$300	**$300**	$700	SAME AS LETTER A ABOVE	SAME AS LETTER B ABOVE	**$11,400**
Nurse Consultant III (Supvr)	$0	$1,000	$1,000	$300	**$300**	$700	SAME AS LETTER A ABOVE	SAME AS LETTER B ABOVE	**$11,400**

IN THE 2004/05 FULL YEAR, $2,460,000 WAS BACKED OUT OF HCSD - HQ AND $139,544 OUT OF HCSD - FIELD FOR EEC BUILT INTO THE 2003/04 FULL YEAR EXERCISE.